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Q4 2013 US GAAP Results

Oleg Bagrin, CEO:

Let's start on PAGE 3 that covers the situation in the INTERNATIONAL MARKETS

- In 2013, steel markets remained volatile while supply-demand imbalances persist.
- Steel consumption grew by 3.6% to 1480 million tonnes, supported mainly by China, which evidenced strong growth in construction and infrastructure sectors.
- Global steel production increased by 3.5% to 1607 million tonnes due to growth of steel output in China which was up by 7.5% to 779 million tonnes.
- Since the end of Q1 2013, there was a strong destocking in steel markets and in the second half of the year inventories were considered to stand at rather low levels compared to historical averages. For example, by the end of the year Chinese inventories at traders decreased by nearly 40% from the peak levels seen in March.
- Despite growth in steel consumption, increased output and structurally lower inventories were a drag for steel prices, which were on average lower than in 2012.
- Steel markets in Q4 2013 were essentially stable. Some regions and products saw slight prices declines compared to the previous quarter on the back of seasonally lower demand. However, support came from elevated iron ore and scrap prices and relatively low inventories.
- Q1 prices are expected to be lower or flat compared to Q4 weighed negatively by decreased iron ore prices and still seasonally soft demand.

PAGE 4 covers the developments on the RUSSIAN DOMESTIC MARKET

- Finished steel consumption in Russia grew by about 3% to in 2013 driven by demand from construction and infrastructure.
- Last year about 7 million tonnes of finished steel were imported to meet the steel demand growth; the largest growth was in long steel imports that went up by 12%.
- In Q4, demand was seasonally soft which weighed negatively on steel prices.
- Q1 domestic steel prices are increasing in local currency given seasonally better demand and lower availability of imports. An additional factor for steel prices growth was an FX rate impact on RUB denominated steel prices.

RAW MATERIALS MARKET is discussed on PAGE 5

- In 2013, iron ore prices were strong as demand continued to grow and supply was not as high as expected earlier. Iron ore imports in China grew by 10% to 820 million tonnes in 2013.
- On the contrary, coking coal prices decreased over the year as there was strong supply growth in the market.
- Q4 iron ore prices were hovering at about $135/t CFR China supported by restocking while coking coal prices declined weighed by low buying activity on the back of high inventories.
- Average coking coal prices in Russia have decreased by about 20% in 2013 compared to 2012 following the global coking coal market trends and due to the persistent oversupply on the domestic

market. 2013 domestic sales of the local coalminers declined by 3% to 39.3 m t forcing producers to redirect sales to the export markets.

- We now see iron ore and coking coal prices stabilizing after a decline in early 2014. We expect the current price levels restively sustainable given current global supply demand dynamics.

PRODUCTION RESULTS are discussed on PAGE 6

Now let's talk about the NLMK production results which are shown on page 6.

- In 2013, NLMK posted record results increasing steel output by 3% up to 15.4 million tonnes due to launch of NLMK Kaluga in July last year.
- In Q4 crude steel production grew by 5% compared to the previous quarter as NLMK Kaluga gradually increased its run-rates.
- Steelmaking utilization rates of the Group were consistently high and stood at 96% in the fourth quarter.
- In 2014, we expect NLMK's crude steel output to grow by 3% to 15.9 million tonnes as we will continue to ramp up production at NLMK Kaluga.

PAGE 7 shows our SALES DESTINATIONS

- Group sales declined by 2% in 2013 to app. 14.8 milllion tonnes mainly due to lower pig iron sales.
- In 2013 we increased our sales to the Russian market by 19% year-on-year to nearly 5.8 million tonnes supported by NLMK Kaluga sales and increased supplies from Novolipetsk to its core customers, including for pipes producers.
- The share of external sales decreased to 61% compared to 68% in 2012. Europe, the US, the Middle East and South-East Asia remained the key destinations for the NLMK's products.
- NLMK's sales in the fourth quarter declined by 4% to 3.57 million tonnes pressured by seasonally weaker demand as well as due to NBH sales deconsolidation. The latter also caused our international operations in total sales decline to 15% from 25% in the third quarter.

Our PRODICT MIX is further discussed on PAGE 8

- In 2013 we saw further product mix improvements. Finished products share in total sales grew to 71% driven by higher long products sales due to NLMK Kaluga launch and lower pig iron sales which dropped by 73%.
- Product mix changes in the fourth quarter resulted from NBH deconsolidation. In Q4 we sold nearly 450,000 tonnes of slabs to NBH, which were included in Group's consolidated slab sales. This factored finished steel sales share decline to 57% in Q4 from 78% in Q3.

On PAGE 9 we give an overview of the launched in 2013 NLMK PRODUCTION SYSTEM

- Adopting to the challenging market environment in the beginning of 2013 NLMK launched Operational Efficiency Program named NLMK Production System.
- The System sets clear benchmarks for costs, resource consumption, productivity and quality and designed a single process allowing reaching those benchmarks over time.

- This is done by generating and implementing efficiency initiatives at the same time establishing standard practices and process controls.
- Throughout 2013 the management continued to develop the program and implement a whole range of initiatives aimed at improving the efficiency across NLMK Group divisions.
- Not only production process affects operations, but also supporting processes like logistics and procurement, integrated with financial controls and HR practices. So we that tried to look into the structural cost reduction in these areas as well.
- Over the course of the year, these initiatives altogether lead to structural savings of US$ 244 million year-on-year largely offsetting weakening in the steel market conditions. The bulk of these savings were achieved at Russian Flat Steel division coming from technology and operational practices improvements, adapting lean work practices, productivity gains and energy efficiency.
- As you may see in the waterfall graph in the bottom right, we ended the year with strong momentum, and we expect comparable level of savings this year as we are rolling out this process across all our divisions and affecting supporting processes like logistics and procurement.

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Now to recap my part of the presentation, NLMK demonstrated strong operating results despite the challenges the global steel industry faces today. The Group's continued pursuit of productivity combined with its unique business model and market leadership will sustain best in class margins and strong free cash flow generation.

Now I want to hand you over to the CFO, Grigory Fedorishin, who will walk you through the financial results.

Grigory Fedorishin, CFO

Thank you, Oleg. Good day everyone.

PAGE 10. KEY HIGHLIGHTS

- In 2013 NLMK demonstrated a set of confident results despite the difficult market conditions.
- Following a year-on-year drop in steel prices our revenue declined by 10% to $10.9 billion.
- However, thanks to the ongoing cost reduction efforts that CEO just mentioned, we kept our EBITDA margin at about 14% which significantly exceeds global steel industry average.
- The investment cash flow was successfully adopted to the challenging market environment. In 2013 capex totaled $756 million (which was minus 48% y-o-y following a completion of the capital intense phase of the strategy).
- By consistent deleveraging we brought our net debt down to $2.7 billion. The Net debt to EBITDA ratio was reduced to 1.80.
- In Q4 we saw some seasonal decline in demand that resulted in lower sales volumes and revenue decline of 8%.
- EBITDA increased by 8% to $409 million. EBITDA margin increased to 16.3%.

Let me now give you more details on the profitability numbers.

PAGE 11. PROFITABILITY

Please turn to page 11

- In 2013 our EBITDA totaled $1.5 billion, lower by 21% compared to 2012. EBITDA margin was 13.8%.
- The y-o-y reduction in EBITDA was mainly attributed to the narrowed spreads between steel prices and input materials and to the growing cost of natural monopolies services and supplies in Russia.
- The respective negative factors were partly compensated by the efficiency programs with the total effect of $244 million comparing to 2012 cost level.
- In Q4 NLMK EBITDA totaled $409 million (+8% q-o-q). The EBITDA margin went up to 16.3%.
- The major factors behind the improved EBITDA were ongoing efficiency program realization and improved prices in some of markets, particularly in US. On the negative side we saw a seasonal reduction in the prices and volumes in the domestic market.
- A Pro-forma EBITDA of NLMK Belgium Holdings (NBH) in Q4 was minus $8 mln, which is significantly higher than in the third quarter. Q4 EBITDA of NBH was deconsolidated and not included into the Group results.

PAGE 12. CASH FLOW

Let’s turn to page 12, where we discuss the Q4 cash flow

- In 2013 free cash flow increased by 63% to $544 million driven by an almost 50% decline in capex and stable working capital.
- In Q4 the company’s operating cash flow went down to $190 million due to working capital increase of $106 million with an inventory as the major contributor. Specifically, the company accumulated finished products stock at Lipetsk site to be realized in a seasonally stronger 1^{st} and 2d quarters. Ramp up of Kaluga mini mill was another driver of the inventory growth.
- Q4 capex dropped by 65% q-o-q to $98 million. This number also includes $21 million of capitalized interest expense.
- The company posted positive free cash flow of $92 million in Q4 as capex declined.

PAGE 13. DEBT LEVERAGE

Please turn to page 14 for the debt leverage discussion

- With positive free cash flow our Net debt by the end of the quarter was reduced by 3% to $2.7 billion. Net debt/EBITDA ratio declined to 1.8 compared to 1.87 at the end of Q3.
- Gross financial debt was largely unchanged and totaled US$4.2 billion
- Average maturity period was 3.3 years at the end of the year.

PAGE 14. SETTLEMENT OF FINANCIAL LIABILITIES

We will continue the discussion of the debt and liquidity on the page 15.

- The Company has substantial liquidity with US$1.45 billion in cash and short-term investments and committed undrawn bank lines of about US$3 billion.
- Our short term debt currently totals $1.1 billion. The amount is represented by ruble bonds, credit lines including revolver lines for the working capital financing and ECA financing. Long term liabilities total $3.0 billion and consist of Eurobonds, Ruble bonds and a long term portion of ECAs.
- We continue to manage our debt portfolio to extend the maturity of the debt. In October we closed the order book for ruble bonds totaling RUB 5 billion with a maturity period of 10 years and a put option in 4 years.
- The company remains committed to achieving a long-term target of net-debt-to-EBITDA ratio of 1.0 through gradual deleveraging.

PAGE 15. OUTLOOK

Finally let's turn to the outlook.

- In Q1 of 2014 the company's steel production remains stable.
- We expect seasonal strengthening in demand for steel products. Combined with ongoing realization of efficiency programs and a positive cost impact of further devaluation of Russian ruble, that should lead to an improvement of financial results quarter-on-quarter.

With this, the formal part of the presentation is over and we are ready to answer your questions.

Thank you for your attention.

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